

Summary

ECONOMIC DEVELOPMENT COMMISSION MEETING HELD ON WEDNESDAY, JUNE 11, 2008 AT 12:00PM IN THE MCCLOSKEY CONFERENCE ROOM OF CITY HALL AT SHOWERS, 401 NORTH MORTON STREET, BLOOMINGTON, INDIANA

Roll Call

Members present: Dick McGarvey, Joyce Poling, Malcolm Webb, Mike Satterfield

Staff present: Danise Alano, Director of Economic Development; Mike Trexler, City Controller; Dan Sherman, City Council Attorney; Sean Fox, SPEA Service Corps Fellow

Approval of Minutes

Malcolm Webb moved to approve the minutes for the May 14, 2008 meeting. Joyce Poling seconded. No further discussion. Motion carried.

BIILF Report

Danise Alano officially introduced Mike Trexler, City of Bloomington Controller, to the EDC. Discussion of the Cha Cha loan. Danise Alano said that Cha Cha did receive a partial final judgment of 188,492.22. This amount was awarded to them, but they still have a remaining litigation issue – a bad faith insurance claim against their insurance company. She said that Vickie Renfrow, Assistant City Attorney, had the president of Cha Cha sign an extension of the loan agreement, so that the ability of the EDC to reclaim the loan will extend 90 days past the end of their litigation. Otherwise, the statute of limitations will run out. Dick McGarvey asked if we are still accruing interest on this loan, to which Danise Alano responded that we can, at two percent. She said that we have the ability to accrue interest, as well as assess penalties. Joyce Poling asked why Bloomingfoods chose to come to the City for their loan, to which Danise Alano responded that at the time, the market rate was a little bit higher than the BIILF rate of 5.5%. She said that another reason for Bloomingfoods was to establish a partnership with the City. She said the Cha Cha loan was an expedited loan and had an interest rate of 2% for three years. Danise Alano said that the reason for the BIILF loan fund being lower last month than on the past report was that two installments of the grant payment to WonderLab were made – one in January, and one in March. Dick McGarvey asked if new guidelines for the BIILF were being worked on, to which Danise responded that they are in the works. Malcolm Webb mentioned increasing the visibility of the program and suggested a formal or informal liaison relationship with the Chamber of Commerce. Joyce Poling suggested establishing a relationship with small business groups such as the Small Business Development Center.

New Business

Danise Alano presented the 2008 Tax Abatement Report to the EDC. She explained that the slides in the presentation are listed in order of resolution.

Dick McGarvey asked if the Madison Park condominiums were affordable, to which Danise Alano responded that they are market-rate. Malcolm Webb asked if any data had been obtained on the amount of taxes that were abated. Joyce Poling said that this type of data is made difficult by the frequent changes in tax rates. She said that because they are “phased in,” the taxes are actually deferred. Malcolm Webb said that, ideally, we would be able to compare the amount of taxes abated to the amount of investment that went in to each project, the amount of new jobs, and so on. He said that the purpose would not be to second-guess decisions made to approve any of the abatements, but rather to rank the abatements that were most successful. Joyce Poling said that homeowners often do not think about homestead credits and other credits which they receive. Dick McGarvey said that another factor is that the City is receiving an investment which it may not have received if not for the assistance in taxes. Danise Alano said that the County does not do housing tax abatements, but the City has done them to encourage affordable housing, renovation of historic properties, and diversification of the downtown housing market. This diversification has a further multiplier effect in downtown investment that is difficult to measure. Joyce Poling said the County’s philosophy is very different – they do not grant abatements for housing, nor for retail.

Dick McGarvey said that he thought that taxpayers not meeting their goals and projections, such as Metropolitan Printing, should not continue to receive abatements. Joyce Poling said that in that case, the law would need to be changed and redefined. Danise Alano noted that the law does not really define “substantial compliance.” She said that as long as there are no specific restrictions or requirements made, and the tax abatement is granted, it is difficult to make the case that a taxpayer is no longer in substantial compliance. Joyce Poling said that the County Council is currently looking at new requirements, which would be more like a points system. She said that the philosophies of the city and county are rather different. Danise Alano said that the recommendations for addressing current definitions and priorities questions come from this commission to the City Council. Thus we would want the task force to meet and discuss these issues before going before the City Council with recommendations.

Mike Satterfield asked about the definition of “owner occupied” and what to do about enforcing it. Danise Alano said that it has been a point of discussion and that there is not much that can be done if an owner allows his or her child to live in the property. She said that Memoranda of Understanding have been tried in the past, but also make deals difficult.

Malcolm Webb said that the Commission appreciates the good corporate citizenship on the part of Schulte in voluntarily rescinding their abatement. Joyce Poling suggested that the Commission send them a letter thanking them for the investment that they have made and for their good corporate citizenship. Dick McGarvey asked what investment they

made. Danise Alano said that their real estate investment was very close to their projection, while their equipment investment was not as close.

Dan Sherman said that the City Council requires that a project commence within a year of approval. Danise Alano said that she spoke with Randy Cassady, who said that activity should begin soon. Joyce Poling suggested defining the abatement labels of “commercial, residential, and mixed-use” for the City Council presentation that the public will view. She asked if the figures reported were from the County Assessor or from CF-1 forms. Danise Alano said that they are from the CF-1 forms that we receive. She said that obtaining assessed values would be difficult to do. Joyce Poling said that the tax abatement process is by no means scientific, and that they ask companies to be conservative in their estimates. Danise Alano said that companies would have a tendency to overestimate their projections, but it is in their interest not to, as they must report actual values which are compared to the estimates. Dan Sherman said that according to statute, the Council is to find that estimates are reasonable.

The Commission approved the report to be sent to Council.

Mike Satterfield moved to adjourn the meeting. Malcolm Webb seconded. No further discussion. Motion passed. Meeting adjourned.